TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation — ITEM NUMBER: 7a

ATTACHMENT(S): 6

ACTION: X — MEETING DATE: July 13, 2000

INFORMATION: ___ — PRESENTER: Ed Derman

SUMMARY

Staff has prepared the attached analyses and recommended positions on the following measures for the Board's consideration.

Attachment	Bill Number	Author	Subject
1	AB 649	Machado	State employees membership in CalSTRS
2	AB 820	PER & SS	Partial redeposit of contribution and purchase of excluded service/Option beneficiary designation/Multiple employers in CB/Trustee service
3	AB 1933	Strom-Martin	Rule of 85/Career Bonus
4	AB 2383	Keeley	CalSTRS support of district health programs/Part-time participation in CalPERS healthcare program
5	SB 1693	Ortiz	80% purchasing power payments
6	SB 2122	Ortiz	Joint Retirement System Advisory Panel
7			Legislative Summary

Mr. Derman will provide a verbal update on state legislation.

Assembly Bill 649 **Assembly Member Machado (As amended 6/8/00)**

Position: **Neutral, if amended (Staff recommendation)**

Proponents: **Department of Personnel Administration (DPA), Department of Justice (DOJ)**

Opponents: **State Personnel Board (SPB)**

SUMMARY

AB 649 allows a California State Teachers' Retirement System (CalSTRS) member who becomes employed by the state in a specific bargaining unit to elect to retain membership in the CalSTRS Defined Benefit (DB) Program. Current state employees who were vested members of CalSTRS and who were required to be members of the state employee California Public Employees Retirement Systems' (CalPERS) Tier II plan could elect to return and remain in the DB Program. The bill converts unused educational leave to service credit for specified state employees covered by the DB Program who retired on or after January 1, 2000. The bill also implements other changes in the state bargaining unit agreements, which will not be addressed in this analysis.

HISTORY

Chapter 954, Statutes of 1975 (AB 1105—Deddeh), provided state employee CalSTRS members a one-time right to elect of CalPERS membership, in lieu of CalSTRS membership. This election was deemed necessary due to the Total Equivalent Compensation (TEC) Act of 1974, which established additional benefits for state employees covered by CalPERS. This one-time election was the alternative provided to those members who requested benefit parity after the passage of the TEC.

AB 2916 (O'Connell—1994), vetoed by the Governor, would have provided certain CalSTRS members who were subsequently employed to perform service with specified state agencies to elect to remain in CalSTRS. The Governor's veto message stated the bill would have inequitably provided a more costly benefit to a select group of employees and should be subject to collective bargaining.

Chapter 838, Statutes of 1997 (SB 227—Solis) permitted vested CalSTRS members who were employed by a community college district and who subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that require membership in a different public retirement system (e.g., CalPERS) to elect, in writing within 60 days after the individual's entry into the new position, to remain in CalSTRS.

SB 1694 (Ortiz) allows a member of CalSTRS who becomes employed by the state, and a state member of CalPERS who becomes employed to perform service that is creditable under CalSTRS, to elect to be excluded from membership in the other system, and continue to have his or her service subject to the retirement system of which they currently are a member.

CURRENT PRACTICE

A school employee who is a member of the DB Program and who becomes employed by the same or a different school district, community college district or county superintendent of schools to perform service that requires membership in another public retirement system, such as CalPERS, may elect to have that service in the new position covered under the DB Program. Alternatively, a school member of CalPERS who changes jobs and performs service that is creditable under the DB Program may elect to have such service credited under CalPERS.

This CalSTRS-CalPERS election initially was a reciprocal provision that was available to employees who change employment in positions only within the California local public school system. This changed with Chapter 838, Statutes of 1997 (SB 227—Solis), which allowed a vested CalPERS member who was employed by the Board of Governors of the California Community Colleges and who subsequently was employed by a community college district to perform duties that required membership in a different public retirement system, for example CalSTRS, to elect in writing within 60 days after the individual's entry into the new position to remain in CalPERS. It also permitted a vested CalSTRS member who subsequently was employed by the Board of Governors to elect to remain in CalSTRS. Finally, Chapter 838 authorized the member to elect by March 1, 1998 to return to CalSTRS, if the member became a state employee between July 1, 1991 and January 1, 1998, and CalPERS transferred to actuarial value of assets in the member’s account to CalSTRS.

Educational leave is provided to state employees in Bargaining Unit (BU) 21 (Educational library employees) to attend or participate in educational or leave programs at accredited schools for purposes related to the member's work assignment. Under current law, unused educational leave cannot be converted to service credit within the DB Program. In 1999, the BU 21 agreement permitted state employees covered by CalPERS to convert unused educational leave to CalPERS service credit upon retirement. Subsequent to this agreement, BU 21 employees requested that their CalSTRS members be provided this benefit. This bill implements that agreement for CalSTRS-covered State employees, but not to local employees.

DISCUSSION

AB 649 allows vested CalSTRS members who were hired by the state in specific bargaining units between July 1, 1991 and the effective date of the bill to elect to return to and remain in the DB Program.

The provisions of this bill concerning the conversion of unused educational leave implement an agreement between the Department of Personnel Administration (DPA) and the bargaining unit. (CalSTRS was not informed of this provision until after the agreement was reached). A similar provision was agreed to for state employees who participate in CalPERS. Under that agreement, the state as an employer would pay the cost of the benefit. Under the proposal in this bill, however, CalSTRS would bear the cost of the converted leave.

In addition, the authority for CalSTRS members to convert unused educational leave to service credit is limited to those members employed by the state. Permitting members from individual employers to obtain benefits is not consistent with the policies of the Board, which include equitable treatment of its members. Therefore, this provision should be amended so that conversion of the unused educational leave to service credit upon retirement be made available statewide as a bargainable benefit. In addition, consistent with other benefits subject to bargaining, the costs of the benefit should be paid either by the employer and/or member.

FISCAL IMPACT

Benefit Program Costs – Any change in liability would depend on which retirement system members elected to participate in. Any increase in liability to CalSTRS resulting from elections made under the bill would be offset by contributions paid by the member. The bill requires that a member who becomes employed by the state and who elects to retain DB Program coverage pay all contributions with respect to state service. Therefore, there would be no additional costs to the Teachers' Retirement Fund (TRF) for this election.

The bill's educational leave provisions, however, do not require an eligible member to pay any additional contributions to cover the cost of the leave credit. Staff estimates about 20 individuals would be eligible under the bill. Any costs resulting from the conversion of educational leave to service credit would be borne by the TRF. Given the small number individuals who would be eligible for the conversion, the costs to the System would be less than $20,000.

Administrative Costs – Probably minor and absorbable costs.

RECOMMENDATION

Support, if amended to authorize educational leave credits and the conversion to service credit to be available statewide to all DB Program members, subject to payment by the employer and/or member. AB 649 would extend to state employees an opportunity given to employees of other public education agencies, if amended, to elect to stay with their original retirement system, or change to another.

Assembly Bill 820 | **Assembly PER&SS Committee (As amended 6/13/00)**

Position: | **Support, if amended (Staff recommendation)**

Proponents: | **CRTA, CTA (co-sponsors)**

Opponents: | **None known**

SUMMARY

AB 820 allows a member of the California State Teachers' Retirement System (CalSTRS) and a nonmember spouse of a member to redeposit a portion of previously refunded member-employee contributions. It also clarifies that a member may purchase a portion of creditable service that was previously excluded from coverage by CalSTRS. Third, the bill permits a retired member who is receiving an unmodified allowance to name a spouse as an option beneficiary. Fourth, the bill permits a person to participate in the Cash Balance (CB) Benefit Program, even if the person also works for an employer that does not offer that program. Finally, it permits a person who performs trustee service for a school district or a community college district to elect to participate in the CB Benefit Program, if the district is a CB Benefit Program employer.

HISTORY

Partial Redeposits and Previously Excluded Service

Chapter 893, Statutes of 1993 (AB 1796—Napolitano) permits a member to purchase provided for the purchase service that was previously excluded from CalSTRS membership.

Chapter 569, Statutes of 1997 (SB 1027—Schiff) authorized CalSTRS members to redeposit contributions withdrawn by a nonmember spouse.

Chapter 1076, Statutes of 1998 (SB 2126—Schiff) allowed members 10 years to redeposit withdrawn member contributions.

Naming an Option Beneficiary

Chapter 262, Statutes of 1998 (SB 1486—Rainey) addressed circumstances where an unmarried member selected a friend or relative as an option beneficiary, only to decide later on to name a spouse. Until the passage of SB 1486, when the original option beneficiary was neither deceased nor a spouse from whom the member was getting divorced, the member was unable to provide an option beneficiary allowance to the new spouse. SB 1486 provided the member with the ability to change the option beneficiary from a friend or relative to a spouse. SB 1486 did not, however, allow for a retired member who designated some one other than a spouse as an option beneficiary and would subsequently like to provide for a different option beneficiary other than a spouse. Nor did it apply if the member had not named an option beneficiary prior to retirement.

CB Benefit Program
Chapter 592, Statutes of 1995 (AB 1298—Ducheny) created the CB Benefit Program for various part-time employees performing less than 50 percent of the full-time equivalent for the position.

Chapter 608, Statutes of 1996 (AB 2673—Ducheny) placed the current restrictions on CB Benefit Program participants employed by multiple employers.

SB 318 (Burton, 1999) would have deleted provisions of the Teachers' Retirement Law (TRL) which prohibit a member of the Defined Benefit (DB) Program who is employed by more than one employer to elect to participate in the CB Benefit Program, unless all of the member's employers participate in that program.

Trustee Service
Chapter 1297, Statutes of 1993 (SB 53—Russell) excluded elected or appointed officers of specified local public agencies who served on public commissions, boards, councils, or similar administrative bodies from California Public Employees Retirement System (CalPERS) membership.

SUMMARY OF LATEST AMENDMENTS

The June 13th amendments
- Permit retired members receiving an unmodified allowance to make a postretirement election of an option naming a spouse as beneficiary
- Permit the redeposit of a portion of previously refunded contributions by a nonmember spouse with an account separate from a member
- Clarify that a member could purchase a portion of previously excluded service
- Repeal current restrictions on employees working for different employers from participating in the CB Benefit Program
- Permit a trustee to elect to participate in the CB Benefit Program by specified persons performing trustee service, as defined
- Delete provisions allowing the Teachers’ Retirement Board (Board) to waive options provisions

CURRENT PRACTICE

Partial Redeposit of Previously Refunded Contributions by a Member or Nonmember Spouse and Previously Excluded Service
Under existing law, a member, and a nonmember spouse who was awarded a separate account following a dissolution, may elect to redeposit previously refunded retirement contributions, along with regular interest from the date of refund to the date of redeposit. If a member or nonmember spouse chooses to redeposit contributions, the entire amount previously withdrawn must be redeposited. CalSTRS processes approximately 6,000 requests for redeposits per year. If the member or nonmember spouse fails to redeposit the full amount previously withdrawn, CalSTRS refunds the partial amount redeposited.

Under federal law, members who elect to pay for a redeposit using an irrevocable pre-tax payroll deduction must pay the full amount of the amount being redeposited, unless employment is terminated. If the member terminates employment while paying for a redeposit using a pre-tax payroll deduction, the member is permitted to continue making payments using post-tax dollars, or make arrangements with the new employer and continue the redeposit using pre-tax dollars.

Existing law also allows a member who was previously excluded from membership in the DB Program to elect to receive credit for that service. This service can include:

- service as a substitute
- service performed on a part-time basis
- adult education service
- service as a school nurse
- service performed in a position prior to the date the position was made subject to coverage under the DB Program and
- service subject to coverage under the DB Program performed while a member of another public retirement system

Under current practice, all of that previously excluded service must be purchased.

Naming an Option Beneficiary

A retired member who selected an option beneficiary prior to or at retirement may change that option beneficiary upon the death of the beneficiary or the divorce of a spouse who is the designated option beneficiary. In addition, a member who named an option beneficiary may change the beneficiary designation to name a spouse, effective six months after the redesignation. Under existing law, in contrast, a member who retired with an unmodified allowance, and therefore did not name an option beneficiary, cannot name a spouse as an option beneficiary after retirement.

CB Benefit Program

Currently, the CB Benefit Program provides a retirement program for persons who perform creditable service on a part-time basis. If an employer elects to provide the benefits of the program, and an eligible employee elects to participate, the employer and employee make contributions to the program, which are deposited in the Teachers' Retirement Fund (TRF).

Members of the DB Program may participate in the CB Benefit Program under one of two conditions. A member of the DB Program employed on a full-time basis may participate in the CB Benefit Program for overtime service performed for a different employer if that employer offers the CB Benefit Program and would otherwise contribute to Social Security or an alternative plan on behalf of the member for that service. A member of the DB Program employed less than 50 percent by an employer offering the CB Benefit Program may elect to participate in the CB Benefit Program as long as the member does not perform service for the same employer under the DB Program.

Members of the DB Program who are employed by more than one employer at less than 50 percent of full-time may not participate in the CB Benefit Program unless and until all employers by which the member is employed offer the CB Benefit Program. Any contribution made by any of the member's employers after a part-time employee performs work for an employer who is not offering the CB Benefit Program must be reported to the DB Program.

Trustee Service

Under existing law, a member of a governing body of an employer is not eligible for membership in the CB Benefit Program or any other retirement program administered by CalSTRS, by virtue of holding that position. Prior to 1994, members of governing bodies of local agencies, including school districts, could receive retirement benefits from CalPERS as a result of such service.

DISCUSSION

Partial Redeposit of Previously Refunded Contributions by a Member or Nonmember Spouse and Previously Excluded Service

Under AB 820, a member may elect to redeposit a portion of contributions previously refunded by the system and, subject to Board-imposed requirements, the member would receive pro rata service credit for those redeposited contributions. AB 820 also clarifies that a member who was previously excluded from membership in the DB Program may elect to receive credit for such previously excluded service.

Naming an Option Beneficiary

A retired member who selected an option beneficiary prior to or at retirement may change that option beneficiary upon the death of the beneficiary or the divorce of a spouse who is the designated option beneficiary. In contrast, however, a member who retired under an unmodified allowance, without naming an option beneficiary, cannot name a spouse as an option beneficiary after retirement. AB 820 would address the latter situation by providing a member who retired unmodified–without any beneficiary–with the ability to name a spouse as an option beneficiary. The designation of the option beneficiary would take effect six months after the designation is received by CalSTRS.

CB Benefit Program

Current law prohibits a member of the DB Program who works for more than one employer from participating in the CB Benefit Program unless all of his or her employers offer the CB Benefit Program. However, a person who works as a DB Program member for one employer on a full-time basis may earn creditable service under the CB Benefit Program for another employer if the CB Benefit Program is offered by the employer and service is for overtime which would otherwise be subject to Social Security or an alternative retirement plan. Similarly, if a CB Benefit Program participant goes to work for a second employer who offers Social Security or an alternative plan in addition to the DB Program, the participant loses eligibility for the CB Benefit Program participation with the first employer if he or she chooses to work under the DB Program with the second employer. But if the individual opted to participate in Social Security or the alternative plan with the second employer, rather than the DB Program, their ability to participate in the CB Benefit Program with the first employer is not affected.

The prohibition on employees participating in the CB Benefit Program when they also work for an employer not offering the CB Benefit Program poses a particular administrative burden for both CalSTRS and the employer. The prohibition was added in response to County Office of Education concerns regarding a potential increase in reporting and administrative workload resulting from the implementation of the CB Benefit Program. Rather than reduce that workload, however, the prohibition increases that workload by requiring the employer to monitor whether the employer's CB Benefit Program participants work for other school districts or community college districts, and whether those other districts offer the CB Benefit Program.

In addition, requiring CB Benefit Program participants to belong to the DB Program if they also work for an employer who does not offer the CB Benefit Program means that the district participating in the CB Benefit Program is required to contribute more money for the employee's retirement than was anticipated at the time the employer elected to offer the CB Benefit Program. Neither the employee nor the employer is able to exercise an option they both wish to choose. As a result, CB Benefit Program employers and participants have requested this prohibition be eliminated.

The provisions of AB 820 which eliminate the CB Benefit Program provisions would provide DB Program members who are otherwise eligible to participate in the CB Benefit Program to do so with respect to employment with districts offering the CB Benefit Program, even if the member also works for employers not offering the CB Benefit Program. This eliminates the need for employers to monitor the retirement selections made by their part-time employees with other employers.

Trustee Service

Prior to 1993, elected or appointed officers of certain local public agencies who served on public commissions, boards, councils, or similar administrative bodies were eligible for CalPERS membership. In 1993, however, that eligibility was eliminated for future governing body members. One reason why such coverage was eliminated was that such members could accumulate service credit while paying very little in contributions for the governing body service. Later the member could secure other CalPERS-covered employment and receive a retirement benefit based on the higher compensation earned at that other employment, without paying sufficient contributions to CalPERS to fully fund that benefit.

Currently, such trustees may be contributing to Social Security or another retirement plan for such service. AB 820 would permit trustees of school districts and community college districts to elect to be covered in the CB Benefit Program for such service, if the district offers the CB Benefit Program to its employees. Because the benefit paid to CB Benefit Program participants is based on the amount accrued in contributions and earnings, rather than a formula based on age, service and final salary, as exists at CalPERS, the actuarial issues that arose under CalPERS' coverage of such service would not arise under this proposal.

FISCAL IMPACT

Benefit Program Costs –

Partial Redeposits and Previously Excluded Service

Permitting partial redeposits of service credit would have a minor net actuarial impact on the DB Program, depending upon the level of participation by CalSTRS' membership. Any impact would consist mainly of the increased liability for benefits associated with the repurchased service. This liability would be financed both by the contributions redeposited by the member and the employer contributions that remained in the TRF when the member made the initial withdrawal.

Naming an Option Beneficiary

The bill requires that the designation of the option beneficiary not result in an actuarial impact to the DB Program. Although, requiring a six-month period to elapse from the date of designation to the effectiveness of that designation should limit any adverse selection by members against the system, there still could be some selection against the system. This could be further mitigated if the provision only applied to members who have married after retirement and have been married at least a year before the designation.

CB Benefit Program

Any change in program liabilities from increased participation in the CB Benefit Program would be offset by increased contributions. Permitting employees to participate in the CB Benefit Program, rather than requiring membership in the DB Program, would reduce employer and employee contributions for those employers offering the program and those employees electing to participate in the program.

Trustee Service

The bill could lead to an increase in CB Benefit Program membership, and a resulting increase in contributions, depending upon the number of eligible individuals who elect to join. Any change in program liabilities from increased participation in the CB Benefit Program would be offset by increased contributions.

Administrative Costs **–**

Partial Redeposits and Previously Excluded Service

CalSTRS anticipates an increased workload as more members request refund billings and set up accounts for the partial redeposits and purchases of excluded service, particularly in the first six months of the new law. A 50 percent increase in requests for redeposits could require one additional personnel year, at less than $50,000 per year. CalSTRS would incur one-time costs to modify system database and software.

Naming an Option Beneficiary

Any costs would depend on how many of the 78,000 current members who are receiving an unmodified allowance would elect to name a spouse as a beneficiary. Based on the experience to date with a similar authorization for members who named an option beneficiary to name a spouse, such costs would likely be minor.

CB Benefit Program
The current prohibition on employees participating in the CB Benefit Program when they also work for an employer not offering the CB Benefit Program poses a particular administrative burden for both CalSTRS and the employer. The prohibition increases the workload by requiring the employer to monitor whether the employer's CB Benefit Program participants work for other school districts or community college districts, and whether those other districts offer the CB Benefit Program. The statutory elimination of this restriction would ease the administrative workload associated with the CB Benefit Program.

Trustee Service
Any costs associated with creating and maintaining additional, new accounts depends upon the number of eligible individuals who elect to participate in the CB Benefit Program. Such costs would likely be minor.

RECOMMEDATION

Support, if amended to further protect the system against adverse selection in naming a spouse as a beneficiary. AB 820 will provide members with more flexibility in their benefit program, with little or no actuarial impact on the system.

Assembly Bill 1933	**Assembly Member Strom-Martin (As amended 6/15/00)**
Position:	**Support, if amended (Staff recommendation)**
Proponents:	**CTA (Sponsor), LAUSD, UTLA, ACSA, CFT**
Opponents:	**None known**

SUMMARY

AB 1933 permits local districts to provide an increased retirement benefit, known as the "Rule of 85," to member-employees whose age and service credit add up to at least 85 if agreed to by an employer and employee representatives. The retirement benefit would equal 2.4 percent of final compensation for each year of credited service. This bill also increases the career bonus for members retiring on or after January 1, 2001 with 29 years or more of credited service, and raises the limit of the age factor, when combined with both the current and proposed career bonuses, to 2.5 percent. Finally, this bill requires the Teachers' Retirement Board (Board) to conduct a study on the feasibility of paying pensions to members with a minimum retirement age based on years of service and final compensation, with no age factor, and to report its findings to the Legislature on or before July 1, 2001.

HISTORY

Rule of 85

The Rule of 85 has been introduced on a number of occasions, including:

- AB 1213 (1999) and AB 12X (1999), which failed to pass the Assembly;
- AB 88 (1998), which was vetoed;
- AB 1463 (1995), which failed to pass the Assembly;
- AB 449 (1993), AB 276 (1991), AB 122 (1989), and AB 3271 (1988), which were all vetoed.

Career Bonus

Chapter 1006, Statutes of 1998, (AB 1102 – Knox) provided a career bonus of .2 percent of final compensation per year of credited service up to a combined age factor and career bonus of 2.4 percent for members with 30 or more years of credited service who retire on or after January 1, 1999.

SB 39 (Baca), also would have increased the career bonus for members with 29 or more years of credited service. That bill failed to pass the Senate.

SUMMARY OF AMENDMENTS

The May 26, 2000 amendments specify that the Rule of 85 benefit shall not apply to a school district, community college district or county superintendent of schools nor its employees until it is agreed to in a written memorandum of understanding entered into by the employer and representatives of employees. The June 15, 2000 amendments extend the Rule of 85 to state educational agencies.

CURRENT PRACTICE

Currently, the CalSTRS retirement allowance is based on years of credited service, age at retirement, and final compensation. The normal retirement age under CalSTRS' Defined Benefit (DB) Program is age 60. At age 60, a member receives an allowance equal to 2 percent of final compensation for each year of credited service. The age factor increases .033 percent per additional year of age over 60, to a maximum of 2.4 percent at age 63. If a member retires earlier than age 60, the retirement allowance is reduced by one-half of one percent for each month the member is between age 55 and age 60. A member may retire as early as age 50 with 30 years of service credit. If a member retires earlier than age 55, the allowance is further reduced by one-quarter of one percent for each month the member is under age 55. A career bonus of .2 percent is added to the age factor, up to a combined age factor and career bonus of 2.4 percent, if the member has 30 years or more of credited service.

DISCUSSION

<u>Rule of 85</u> – AB 1933 permits local school districts to provide an increased retirement benefit to member-employees whose age and service credit add up to at least 85 if agreed to by an employer and employee representatives. This retirement benefit to members could equal between 2 percent and 2.5 percent of final compensation for each year of credited service, depending on local collective bargaining negotiations. There are about 22,600 members who would qualify for this benefit. Under the existing CalSTRS formula, a member's potential retirement allowance increases each year primarily due to the increased age factor. Members who retire under this provision of AB 1933 would not receive an increased benefit from an increase in age. To the extent that increasing a retirement benefit at higher retirement ages encourages members to defer retirement, AB 1933 may encourage members to take an earlier retirement.

The Rule of 85 benefit would not apply to a school district, community college district or county superintendent of schools nor its employees until it is agreed to in a written memorandum of understanding. The cost of the increased benefit would be borne by the DB Program, rather than paid by the employer.

<u>Career Bonus</u> – AB 1933 also increases the career bonus for members retiring on or after January 1, 2001 by applying it to members with 29 years of credited service and increasing the bonus after 30 and 31 years of credited service. In addition, AB 1933 increases the maximum percent of the age factor from 2.4 percent to 2.5 percent, when combined both with the current and proposed career bonuses. This may offset some of the early retirement incentive of the proposed Rule of 85.

On June 30, 1999, there were 26,992 members who would have qualified for this enhanced benefit. The chart below illustrates the changes this bill would make by applying the career bonus at 29 years of credited service:

Years of Service Credit	Career Bonus	Final Career Bonus Under AB 1933
29	0	.1 %
30	.2 %	.3 %
31 +	.2 %	.4 %

Under current law, some service credit, such as nonqualified service, cannot be used to qualify for the career bonus because the career bonus is intended to reward actual service. As currently drafted, the bill does not exclude nonqualified service from determining eligibility for the enhanced bonus, but should be amended to do so. Other technical amendments to conform the proposal to the existing law also are required.

Service-Based Retirement – The bill also requires the board to conduct a study and prepare a report on the feasibility of basing pensions for its members on years of service and final compensation with no age factor, except for minimum retirement age. Currently, most defined benefit programs include age as a consideration in the benefit formula because the older the member is at retirement, the fewer years the member will receive the benefit. Increasing the percentage of final compensation as age increases, thereby increasing the monthly allowance, reflects the fact that the member will get a certain fixed amount of money, equal to the present value of the benefit, over a shorter period of time. Nonetheless, there are systems, such as the teachers' retirement systems in Alaska and in Louisiana that pay a benefit to members equal to a fixed percentage per year of service, once a member has performed a specified amount of service in the plan.

FISCAL IMPACT

Rule of 85

As noted above there are approximately 22,600 members who, according to age and years of service credit, would qualify for this benefit. However, for the benefit to take effect, this bill requires a written memorandum of understanding between employer and employee representatives. Therefore, the actual number of members would depend on the results of future negotiations. The estimates assume that all employers negotiate the benefit.

Benefit Program Costs – Making the Rule of 85 available to an electing employer would result in the following actuarial impact if all employers elected to provide the benefit:

	Present value cost (in millions)	**Percent of pay to fund**
Normal cost increase of future service	–	0.523%
Actuarial obligation for prior service	$2,328	0.732%
Total costs	$3,989	1.255%

This actuarial impact would result in the following expenditures over the first three full fiscal years (in millions of dollars):

	2001-02	**2002-03**	**2003-04**
Total benefit payment increase	$6.2	$16.9	$29.3
Annual increase in contributions (funding) needed to fund benefit	$244	$255	$266

These estimates do not reflect potential changes in the rate of retirement behavior which may or may not occur as a result of the changes.

Career Bonus
Benefit Program Costs – According to preliminary estimates by the actuary, enhancing the career bonus would result in the following actuarial impact:

	Present value cost (in millions)	**Percent of pay to fund**
Normal cost increase of future service		0.479%
Actuarial obligation for prior service	$2,524	0.794%
Total costs during funding period	$4,046	1.273%

These estimates do not reflect potential changes in the rate of retirement, which may or may not occur as a result of the changes in the bill.

This actuarial impact would result in the following expenditures over the first three full fiscal years (in millions of dollars):

	2001-02	**2002-03**	**2003-04**
Total benefit payment increase	$6.5	$17.7	$30.5
Annual increase in contributions (funding) needed to fund benefit	$248	$258	$269

Administrative Costs – CalSTRS anticipates that it could absorb any increased administrative costs, (estimated to be less than $50,000) to implement the benefit increases in this bill. According to the CalSTRS consulting actuary, costs to complete the proposed study would cost an additional $25,000.

RECOMMENDATION

Support, if amended to provide a funding source and to include technical amendments that are needed to conform the terms of the proposed career bonus enhancement to those applicable to the career bonus in existing law.

Assembly Bill 2383 **Assembly Member Keeley (As amended 5/26/00)**

Position: **Support, if amended (Staff recommendation)**

Proponents: **CalPERS (sponsor); CSEA**

Opponents: **None known**

SUMMARY

AB 2383 requires that for the next 10 years the California State Teachers' Retirement System (CalSTRS) credit against employer contributions the cost incurred by the employer to provide specified health benefits to retired members. The amount credited would not exceed a monthly amount per retired member determined by the Teachers' Retirement Board (Board) and equal to a total present value of $2 billion. In addition, this bill expands eligibility under the Public Employees Medical and Hospital Care Act (PEMHCA) to authorize contracting agencies and school employers to include certain employees who work less than half time, as specified, for coverage under PEMHCA.

HISTORY

The California Public Employees Retirement System (CalPERS) is responsible for administering PEMHCA, which currently provides health care benefits for over one million employees, retirees, and dependents. The Legislature established PEMHCA in 1961. Related health care legislation includes:

Chapter 991, Statutes of 1985 (AB 528) required school districts which provide health insurance to permit enrollment of CalSTRS retirees in district health plans.

Chapter 1006, Statutes of 1989 (AB 265) authorized school districts to apply to CalPERS for Medicare elections for employees who are CalSTRS members to elect to join Medicare.

Resolution Chapter 100, 1990 (AJR 71) memorialized Congress to establish a process whereby CalSTRS retirees could purchase the quarters needed to meet Medicare Part A eligibility.

Chapter 968, Statutes of 1998 (SB 1528) required CalSTRS to conduct a study on the feasibility of a health care program, including vision and dental, for CalSTRS members, beneficiaries, children and dependent parents.

Chapter 740, Statutes of 1999 (SB 159) required CalSTRS to develop a program to provide health care benefits for members, beneficiaries, children and dependent parents.

Senate Bill 1435 (Johnson) increases the monthly allowances paid to retired members of the CalSTRS Defined Benefit (DB) Program to cover the monthly premium for Medicare Part A. To qualify, the member must be at least 65 years of age, enrolled in Medicare Part B, and not eligible for Medicare Part A without payment of a premium.

CURRENT PRACTICE

Existing law requires that employees work at least half time (50 percent) in order to be eligible for health benefits coverage under PEMHCA. CalPERS is responsible for administering PEMHCA, which currently provides health benefits for over one million employees, retirees, and dependents.

DISCUSSION

Under the bill, the Board would, by March 31, 2001, determine the per month per retired member equivalent of $2 billion dollars over 10 years. The Board would, from July 1, 2001 through June 30, 2010 credit each employer, based on this estimated amount for each retired member the employer has certified is enrolled in one or more of health benefit programs administered by the employer, including a catastrophic health care program for retired members who are less than 65 years of age, a Medicare supplement health care program, and/or a prescription drug program.

The Board would establish by regulation the services to be provided in a health care program for retirees for which the Board provides money to the employer. The services would be comparable to health benefits made generally available to participants of other public employers in California and that the amount credited for each retired member shall not exceed the employer's average costs of providing these services to retired members and their families.

A Joint CalPERS/CalSTRS Advisory Task Force is conferring with various stakeholders to resolve a number of policy and technical issues which have limited the number of school districts that participate in PEMHCA. In response to these discussions, this bill allows a contracting employer to extend PEMHCA coverage to employees who work less than half time by filing a resolution with the CalPERS Board of Administration. This bill also allows CalSTRS to designate the following members of its system as "employees" for purposes of PEMCHA participation:

- Regular employees who have an appointment of six months or longer, but who are employed on less than a half-time basis;
- Part-time faculty employees who are hired on a semester basis;
- Long-term substitutes who are hired for at least one-half of the school year.

According to the author, "AB 2383 seeks to provide greater flexibility in PEMHCA enrollment eligibility for employers, employees, retirees and dependents." CalPERS acknowledges that current PEMHCA eligibility requirements pose a barrier for some otherwise qualified employees to obtain affordable health care.

Supporters of AB 2383 argue that "[w]hile school district employees comprise the largest percentage of the CalPERS eligible groups, they make up the smallest percentage enrolling in PEMCHA. Currently, just over 100 of more than 1,100 school districts are enrolled in PEMCHA. One reason for the low school district participation is that PEMCHA does not cover less than half-time employees, limiting the ability of school districts to provide coverage for all employees." Supporters also state that additional amendments will be added to the bill that will hopefully increase participation in the program.

FISCAL IMPACT

Program Costs – The bill provides for up to $2 billion for the costs of health care benefits to retired members of the DB Program for up to ten years.

Administrative Costs – Based on a preliminary evaluation of the proposal to credit employees for health benefit costs would increase administrative cost by about $250,000 annually.

RECOMMENDATION

Support, if amended to fund the crediting of employer costs. This bill is consistent with Board's commitment to identifying and pursuing a health care benefits program for its members.

Attachment 5
Regular Meeting Item – 7a
July 13, 2000

Senate Bill 1693 — **Senator Ortiz (As introduced 2/22/00)**

Position: — **Support (Staff recommendation)**

Proponents: — **None known**

Opponents: — **None known**

SUMMARY

SB 1693 increases the supplemental payments made from the Supplemental Benefit Maintenance Account (SBMA) in the Teachers' Retirement Fund to restore purchasing power of initial allowances to 80 percent of the member's initial monthly allowance. Currently, such payments are made to maintain 75 percent of the member's initial allowance.

HISTORY

SB 1026 (Schiff—Chapter 939, Statutes of 1997) provided for purchasing power protection of up to 75 percent of the benefit recipient's original purchasing power from the 2.5 percent annual General Fund contribution to the SBMA.

AB 1102 (Knox—Chapter 1006, Statutes of 1998) vested the 2.5 percent General Fund contribution and the purchasing power payments payable from that contribution to retired members of the California State Teachers' Retirement System (CalSTRS).

AB 2201 (Honda, 2000) proposes, among other provisions, an increase in the level of payments made from the SBMA for purchasing power protection from 75 percent to 80 percent.

CURRENT PRACTICE

Under the Teachers' Retirement Law, all members and beneficiaries of the Defined Benefit Program receive monthly allowances that are increased by two percent of the original allowance. In addition, when the purchasing power of the current allowance, including the two percent adjustment, is less than 75 percent of the purchasing power of the original allowance, the member or beneficiary receives a quarterly benefit increase to the purchasing power of their total benefit to the 75 percent level. These supplemental payments are paid from (1) funds appropriated from the General Fund in an amount equal to 2.5 percent of the prior calendar year CalSTRS' member payroll, and (2) payments from the sale or use of land granted to the state by the federal government to support schools.

DISCUSSION

Currently, members and beneficiaries whose benefit effective date was 1981 or earlier receive the quarterly supplemental payment, and about 40,000 members and beneficiaries receive the quarterly payment. SB 1693 increases the supplemental payments from 75 percent to 80 percent to restore the purchasing power of the initial monthly allowances received by CalSTRS members. This would increase the number of supplemental benefit recipients by 16,340 and would include all members and beneficiaries whose benefit effective date was 1984 or earlier.

FISCAL IMPACT

Benefit Program Costs – According to preliminary estimates by the actuary, increasing the level of purchasing power protection from 75 percent to 80 percent would increase purchasing power payments as follows (in millions of dollars):

	2001-02	**2002-03**	**2003-04**
Total benefit payment increase	$62.8	$69.4	$76.2

Given current actuarial assumptions, the funds that are available only to pay such payments are sufficient to pay the increased cost for at least 30 years.

Administrative Costs – Minor and absorbable costs.

RECOMMENDATION

Support. The bill provides an important increase in the supplemental payments made to retired members to stave off the eroding forces of inflation. These increased payments would assist long-retired members whose retirement allowances have been the most eroded over the course of time.

Senate Bill 2122	**Senator Ortiz (As amended 5/26/00)**
Position:	**Support (Staff recommendation)**
Proponents:	**State Controller (Sponsor)**
Opponents:	**Unknown**

SUMMARY

SB 2122 authorizes and encourages the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) to share information on investment strategies. The bill also provides that the confidential status of the information and documents shared by the systems will be preserved if such information is shared.

HISTORY

AB 107 (Knox) prohibits new or additional investments by the CalSTRS and CalPERS on and after January 1, 2001, in tobacco companies and requires a divestment of those existing investments by July 1, 2002. The Teachers' Retirement Board (Board) adopted a *No Position* position on this bill, although, for fiduciary reasons, the Board has removed tobacco manufacturer equities from its investment benchmarks.

AB 2745 (Kaloogian), which is being held in the Assembly Appropriations Committee, required CalSTRS' and CalPERS' internal and external fund managers to perform and disclose due diligence with respect to potential investments in foreign companies that pose a threat to national security and to hire an independent auditor to review and report to the Board, the CalPERS Board of Administration and the State Legislature regarding present and proposed investments in those companies. The Board opposes AB 2745.

SB 1928 (Haynes), opposed by the Board, creates the Capital Markets Task Force Board to make recommendations on investments by CalSTRS and CalPERS in foreign companies and concerns related to national security or human rights of material concern to the performance of those investments.

SUMMARY OF LATEST AMENDMENTS

The May 26th amendments

- delete the bill's provisions creating the advisory panel
- authorize and encourage CalSTRS and CalPERS to share information on investment strategies and provide that the confidentiality of information and documents of both systems will be preserved.

CURRENT PRACTICE

CalSTRS uses internal and external fund managers oversee and manage CalSTRS' extensive portfolio of domestic and international equities, bonds, and real estate. A large portion of this portfolio is passively managed through market indices. In addition, CalSTRS uses external consultants while it develops investment strategies and makes policy recommendations to the Board. For example, CalSTRS retains a general consultant and two external consultants are on hand for special investment-related projects. All external investment managers are consulted from time to time on a variety of investment related matters. In addition, CalPERS and CalSTRS staff informally discuss investment matters of common interest, as the need arises.

DISCUSSION

SB 2122 encourages both systems to regularly cooperate and share information that may be helpful in developing and implementing investment strategy. The bill also expresses legislative intent of which is to " … safeguard the solvency of all public retirement systems and funds." As mentioned, CalSTRS staff already retains and regularly confers with a number of external consultants and fund managers who provide expertise in the development of the system's investment strategies. In addition, CalSTRS staff, from time to time and on a variety of topics, communicate with CalPERS investment staff. This bill clarifies that such communications do not affect the confidential status of the information discussed.

FISCAL IMPACT

Benefit Program Costs – None.

Administrative Costs – None.

RECOMMENDATION

Support. SB 2122 clarifies the ability of CalSTRS and CalPERS share information on the development and implementation of investment strategy without affecting the confidential status of the information.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – June 21, 2000

BILL NO. >>> **STATUS** <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 107

AUTHOR: Assembly Member Knox
TITLE: Tobacco divestment
AMENDED: 2/29/00
LOCATION: Senate PE&R
BOARD POSITION: No Position*

SUMMARY: Prohibits new or additional investments in tobacco companies by CalSTRS and CalPERS on and after January 1, 2001 and total divestment by July 1, 2002.

COSTS: Benefit program – None

Administrative – Potentially substantial transaction costs to divest domestic and international tobacco investments, other than with tobacco manufacturers.

P – CFT, CTA, UTLA

O – None Known

AB 141

AUTHOR: Assembly Member Knox
TITLE: Expands earnings limit for vacant administrative positions
LOCATION: Chapter 22, Statutes of 2000
BOARD POSITION: Support*

SUMMARY: Expands the current earnings limit exemption for an additional six months for retired members who are hired to fill administrative positions on an emergency basis.

COSTS: Benefit program – No actuarial impact. Insignificant foregone actuarial gain.

Administrative – Minor and absorbable.

P – CASBO (sponsor)

O – Unknown

* Approved by the Board

BILL NO. >>> **STATUS** <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 429

AUTHOR: Assembly Member Correa
TITLE: Gainsharing
AMENDED: 5/20/99
LOCATION: Senate Appropriations
BOARD POSITION: Sponsor*

SUMMARY: Authorizes the Board to allocate excess investment earnings to provide statutorily authorized benefits to active and retired members, after setting aside funds for a reasonable reserve.

COSTS: Benefit program – Potentially billions of dollars from surplus assets, depending on the availability of funds.

Administrative – Costs will vary dependent on the benefit enhancement funded with the gainsharing revenue.

P – ACSA, CRTA, SSDA

O – None known

AB 649

AUTHOR: Assembly Member Machado
TITLE: CalSTRS/CalPERS Membership Election
AMENDED: 6/8/00
LOCATION: Assembly PER&SS
BOARD POSITION: Neutral (Staff recommendation)

SUMMARY: Permits continued crediting in CalSTRS by a member who becomes employed by the state in a specified bargaining unit. Allows for the conversion of unused educational leave to service credit by specified state employee CalSTRS members of the Defined Benefit (DB) Program.

COSTS: Benefit program – Members who elect to participate pay all contributions, less than $20,000 for educational leave provisions.

Administrative – Minor and absorbable.

P – DPA, DOJ

O – SPB

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 816

AUTHOR: Assembly PER&SS
TITLE: CalSTRS technical housekeeping
AMENDED: 5/31/00
LOCATION: Senate PE&R
BOARD POSITION: Sponsor*

SUMMARY: Makes technical changes to the TRL to clarify existing provisions and eliminate superfluous provisions.

COSTS: Benefit program – None

Administrative – One-time implementation costs of approximately $75,000.

P – None known

O – None known

AB 820

AUTHOR: Assembly PER&SS
TITLE: Partial redeposits of withdrawn contributions and board waiver of options provisions
AMENDED: 6/13/00
LOCATION: Senate PE&R
BOARD POSITION: Support, if amended*

SUMMARY: Authorizes a CalSTRS member to redeposit a portion of contributions previously refunded. Allows specified retired members to make a postretirement election of an option naming a new spouse. Repeals multiple employer provisions of the Cash Balance (CB) Benefit Program. Permits trustees of districts participating in the CB Benefit Program to participate in the program.

COSTS: Benefit program – Minor actuarial impact on TRF.

Administrative – Minor and absorbable.

P – CRTA, CTA (Co-Sponsors)

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 821

AUTHOR: Assembly PER&SS
TITLE: Highest year final compensation
AMENDED: 1/10/00
LOCATION: Senate Appropriations
BOARD POSITION: Support, if amended*

SUMMARY: Bases final compensation on the highest average annual compensation earnable by a member during a consecutive 12-month period of employment rather than on the highest average earnable compensation during any period of three consecutive school years.

COSTS: Benefit program – Amortized total cost of $5.088 million over 30 years.

Administrative – One time absorbable implementation costs of approximately $50,000.

P – ACSA, CFT, CTA & UTLA (Co-Sponsors), FACCC, CSBA, California Independent Public Employees Legislative Council

O – None known

AB 1733

AUTHOR: Assembly Member Wildman
TITLE: Elimination of postretirement earnings limit
AMENDED: 5/26/00
LOCATION: Senate PE&R
BOARD POSITION: Support, if amended

SUMMARY: Increases earnings limit to $36,000 and eliminates limit for members who have been retired from service for at least one year.

COSTS: Benefit program – No actuarial impact. Foregone actuarial gain estimated at $1.2 million per year.

Administrative – Minor and absorbable.

P – CTA (Sponsor)

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 1736

AUTHOR: Assembly Member Ducheny
TITLE: Postretirement earnings exemption for K-12 remedial instruction teachers
AMENDED: 5/1/00
LOCATION: Senate PE&R
BOARD POSITION: Support, if amended

SUMMARY: Exempts from the earnings limit a member who retired from service on or before July 1, 2000 and returns to a K-12 classroom to provide direct remedial instruction to pupils.

COSTS: Benefit program – No actuarial impact. Insignificant foregone actuarial gain.

Administrative – Minor and absorbable.

P – None known

O – None known

AB 1933

AUTHOR: Assembly Member Strom-Martin
TITLE: Career bonus enhancement/Rule of 85/Service-based retirement
AMENDED: 6/15/00
LOCATION: Senate PE&R
BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Increases the career bonus for members with 29 or more years of credited service who retire on and after January 1, 2001. Pays a retirement allowance equal to 2.4 percent of final compensation per year of credited service if the member's retirement age and years of service total at least 85 for districts that negotiate benefit increases. Also requires CalSTRS to conduct a study of retirement system where age is not a factor in determining allowance.

COSTS: Benefit program – Total cost of $4,046 million over 30 years for career bonus; total cost of $3,989 million over 30 years for Rule of 85.

Administrative – Minor and absorbable.

P – CTA (sponsor), FACCC

O – None known

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 2100

AUTHOR: Assembly Member Dutra
TITLE: Approval of state agency Internet content
AMENDED: 5/15/00
LOCATION: Assembly CP, GE & ED (Held in committee)
BOARD POSITION: Neutral, unless amended*

SUMMARY: Designates the Department of Information Technology as the state agency responsible for administering, managing, maintaining and establishing policies for any information posted on the Internet by a state agency other than the State of California.

COSTS: Benefit program – None

Administrative – Minor and absorbable.

P – None known

O – None known

AB 2118

AUTHOR: Assembly Member Bock
TITLE: Public retirement systems merger study
AMENDED: 5/1/00
LOCATION: Assembly Appropriations (Held in committee)
BOARD POSITION: Neutral (Staff recommendation)

SUMMARY: Requires CalSTRS and CalPERS to conduct a preliminary feasibility study on merging the systems and present the study to the Legislature on or before July 31, 2001.

COSTS: Benefit program – No impact

Administrative – Potentially significant costs to prepare report.

P – None known

O – None known

* Approved by the Board

AB 2201

AUTHOR: Assembly Member Honda
TITLE: Highest year final compensation; compounded COLA; 2% at 55; board elections; 80% purchasing power; career bonus
LOCATION: Assembly Appropriations (Held in committee)
BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Provides 2 percent at age 55 retirement formula, highest year final compensation for all CalSTRS members, compounded COLA; 80 percent purchasing power and election of CalSTRS members to 13-member Board.

COSTS: Benefit program – 2 percent at age 55 ($8.95 billion); Highest year compensation ($5.11 billion); Compounded COLA ($3.4 billion). 80 percent purchasing power, annual costs: (2003-2004, $76.2 million; 2004-2005, $82.5 million; 2005-2006, $88.0 million).

Administrative – One time cost of up to $92,000 for additional staff workload and one time cost of about $25,000 for computer system modifications.

P – CTA (Sponsor), AARP State Legislative Committee, ACSA, CFT

O – None known

AB 2226

AUTHOR: Assembly Member Mazzoni
TITLE: Employer "pick-up" of member contributions
LOCATION: Not yet assigned in Assembly
BOARD POSITION: Pending

SUMMARY: Makes a technical change to the employer "pick-up" of member contributions to CalSTRS DB Program.

COSTS: Benefit program – Pending

Administrative – Pending

P – None known

O – None known

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 2383

AUTHOR: Assembly Member Keeley
TITLE: CalSTRS support of district health programs/Part-time participation in CalPERS healthcare program
AMENDED: 5/26/00
LOCATION: Senate PE&R
BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Requires CalSTRS to credit against employer contributions the cost incurred by the employer to provide health care benefits for retirees for the next ten years. The amount credited could not exceed $2 billion over 10 years. Expands eligibility under the Public Employees Medical and Hospital Care Act (PEMCHA) administered by CalPERS to authorize contracting agencies and school employers to include certain employees who work less than half time, as specified, for coverage under PEMCHA.

COSTS: Benefit program – $2 billion cost over 10 years.

Administrative – $250,000 annually.

P – Unknown

O –Unknown

AB 2456

AUTHOR: Assembly Member Wright
TITLE: Deferred Retirement Option Program
AMENDED: 5/26/00
LOCATION: Senate PE&R
BOARD POSITION: Support, if amended*

SUMMARY: Establishes the Deferred Retirement Option Plan as a voluntary supplemental benefit program in the DB Program to provide a lump sum payment upon retirement in addition to the monthly retirement allowance.

COSTS: Benefit program – Unknown actuarial cost.

Administrative – Estimated initial one-time costs of approximately $500,000 to establish necessary administrative and actuarial procedures and ongoing costs of $500,000 annually for increased education and counseling of members in the program.

P – None known

O – None known

* Approved by the Board

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
1999-2000 Regular Session – June 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 2700

AUTHOR: Assembly Member Lempert
TITLE: Creditable compensation
AMENDED: 5/26/00
LOCATION: Senate PE&R
BOARD POSITION: Sponsor *

SUMMARY: Makes all compensation for creditable service creditable to the State Teachers' Retirement Plan. Requires the Board to develop and administer a supplemental benefit program for member and employer contributions with service in excess of 1.000 years per school year.

COSTS: Benefit program – Total net costs of $235 million over a 30-year period.

Administrative – Undetermined net cost.

P –CTA

O – None known

AB 2745

AUTHOR: Assembly Member Kaloogian
TITLE: Public retirement fund: terrorist-sponsoring nations
AMENDED: 5/9/00
LOCATION: Assembly Appropriations (Held in committee)
BOARD POSITION: Oppose*

SUMMARY: Requires CalSTRS and CalPERS to investigate and report on investments in foreign companies that pose a threat to national security, as specified, on or before January 15th each year.

COSTS: Benefit program – No impact.

Administrative – Unknown, but potentially significant.

P – California Professional Firefighters

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

AB 2839

AUTHOR: Assembly Member Firebaugh
TITLE: 2 percent at age 55
AMENDED: 4/25/00
LOCATION: Assembly Appropriations (Held in committee)
BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Provides a 2 percent at age 55 retirement benefit formula for members retiring on or after January 1, 2001.

COSTS: Benefit program – Total costs of $8.95 billion over 30 years.

Administrative – One time costs of up to $92,000 one-time costs for additional staff workload and one-time cost of about $25,000 for computer system modifications.

P – CFT

O – None known

SB 1435

AUTHOR: Senator Johnston
TITLE: Payment of Medicare Part A premiums for CalSTRS members
LOCATION: Not assigned in Assembly
BOARD POSITION: Sponsor*

SUMMARY: Increases allowances paid to retired members by the amount of the Medicare Part A premium if the member is not eligible for Medicare Part A coverage on a premium free basis.

COSTS: Benefit program – Total costs of $1,237 million over 15 years.

Administrative – One-time costs of $500,000 and ongoing costs of $270,000.

P – CalSTRS (Sponsor)

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

SB 1505

AUTHOR: Senator Alarcon
TITLE: Earnings limit exemption for K-12 teachers
AMENDED: 5/30/00
LOCATION: Assembly Education
BOARD POSITION: Support*

SUMMARY: Provides exemption from earnings limitation for CalSTRS members who have retired from service on or before January 1, 2000 and are employed in direct classroom instruction or programs providing support to new teachers and teachers participating in specified programs.

COSTS: Benefit program – No actuarial impact. $1.2 million foregone actuarial gain.

Administrative – Minor and absorbable.

P –None known

O – None known

SB 1692

AUTHOR: Senator Ortiz
TITLE: Enhanced benefits for pre-1999 retirees
AMENDED: 5/3/00
LOCATION: Senate Floor
BOARD POSITION: Support, if amended*

SUMMARY: Enhances benefits to CalSTRS members who retire for service before January 1, 1999, reinstate active members for at least one year and subsequently retire.

COSTS: Benefit program – An increase of $9 million amortized over 30 years.

Administrative – Minor and absorbable.

P – CFT, CRTA, CTA, F.A.I.R.

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

SB 1693

AUTHOR: Senator Ortiz
TITLE: 80 percent purchasing power
LOCATION: Senate Appropriations (Held in committee)
BOARD POSITION: Support (Staff recommendation)

SUMMARY: Increases purchasing power protection to retired CalSTRS members and beneficiaries from 75 percent to 80 percent.

COSTS: Benefit program – Total annual costs: 2001-2002, $62.8 million; 2002-2003, $69.5 million; 2003-2004, $76.2 million.

Administrative – Minor and absorbable.

P – CRTA (Sponsor), ACSA, ART, CFT, CTA, FAIR, UTLA

O – None known

SB 1694

AUTHOR: Senator Ortiz
TITLE: CalSTRS/CalPERS Membership Election
LOCATION: Assembly PER&SS
BOARD POSITION: Support, if amended*

SUMMARY: Allows a CalSTRS member who becomes employed by the State to elect to remain with CalSTRS, and a State CalPERS member who becomes employed to perform CalSTRS-covered service to remain with CalPERS.

COSTS: Benefit program – Increased costs would be offset by increases in contributions.

Administrative – Minor, if any impact.

P – Superintendent of Public Instruction (Sponsor), ACSA, AFSCME, CFA

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

SB 1928

AUTHOR: Senator Haynes
TITLE: Capital Markets Task Force Board
AMENDED: 5/9/00
LOCATION: Assembly PER&SS
BOARD POSITION: Oppose*

SUMMARY: Creates a task force to oversee and review investments by CalSTRS and CalPERS for purposes of identifying human rights, national security, and social concerns material to investment performance, and making recommendations.

COSTS: Benefit program – None

Administrative – Unknown, but potentially significant costs to support the task force.

P – CCPOA

O – None known

SB 2105

AUTHOR: Senator Lewis
TITLE: Reporting for charter schools
AMENDED: 5/1/00
LOCATION: Not yet assigned in Assembly
BOARD POSITION: Support, if amended*

SUMMARY: Requires a school district or county office of education that is a chartering authority of a charter school to submit required reports to CalSTRS.

COSTS: Benefit program – None

Administrative – None

P – CNEC, CTA

O – None known

* Approved by the Board

BILL NO. >>> STATUS <<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

SB 2122

AUTHOR: Senator Ortiz
TITLE: Joint Retirement System Investment Information Sharing
AMENDED: 5/26/00
LOCATION: Assembly PER&SS
BOARD POSITION: Neutral (Staff recommendation)

SUMMARY: Authorizes and encourages CalSTRS and CalPERS to share information on investment strategies.

COSTS: Benefit program – None

Administrative – None

P – State Controller (Sponsor)

O – CalPERS, PORAC

SCA 16

AUTHOR: Senator Burton
TITLE: Support budget appropriations for CalSTRS and CalPERS
LOCATION: Senate PE&R
BOARD POSITION: Pending

SUMMARY: Requires the Legislature to review and approve budget appropriations for CalSTRS and CalPERS and permits the Governor and/or Legislature to perform actuarial audits of CalSTRS and CalPERS every five years.

COSTS: Benefit program – None

Administrative – Minor and absorbable.

P – None known

O – None known

L E G E N D OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION	**ORGANIZATION**
AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Association of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees Retirement System
CalPIRG	California Public Interest Research Group
CalSTRS	California State Teachers' Retirement System
CAPE	California Alliance for Pride and Equality
CASBO	California Association of School Business Officers
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCPOA	California Correctional Peace Officers Association
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education

L E G E N D OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION	**ORGANIZATION**
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security
Senate PE&R	Senate Public Employment and Retirement